

2011

IRS Nationwide
TaxFORUM

Fighting Back Against Identity Theft and Online Fraud

Presented by
Office of Privacy, Information
Protection & Data Security



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Privacy at the IRS

Security and privacy of taxpayer information is a priority for the IRS.

Through this, we maintain **public trust** in tax administration.

- Our mission is to

- Ensure security of IRS systems and proper protection of personal information

- Prevent and detect cyber and other threats/vulnerabilities

- Educate on protecting information

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Identity Theft is a Persistent Threat to the American Taxpayer

#1 consumer complaint reported to the Federal Trade Commission for 11 years in a row, accounting for 19% of all complaints.

Javelin's Identity Fraud Survey estimates 8.1 million victims of identity theft in the U.S. in 2010, at a cost of \$37 billion.

Incidents related to government benefits are the most common form, more complex and require more time and money to detect and resolve.

'Average' victim spends 141 hours and \$2,104 out of pocket to resolve.

Sources: FTC Consumer Sentinel Network Data Book, March 2011; Javelin Strategy 2011 Identity Fraud Survey Report, February 2011; Identity Theft Resource Center, Identity Theft: The Aftermath 2009.

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Committed to Resolving Taxpayer Identity Theft

“My overall goal as the IRS Commissioner is that when a taxpayer contacts us with an issue or concern, we have in place a seamless process that gets the issue resolved promptly.

From the perspective of an identity theft victim, that means when the taxpayer calls the IRS that they reach someone who is knowledgeable on the issue and who is able to take care of the problem quickly and permanently.”

Douglas H. Shulman, Commissioner, IRS
Senate Finance Committee
April 10, 2008

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Identity Theft Can Impact Taxes

Scenario 1: Refund-Related Crime

Identity thief uses a stolen SSN to file forged tax return and obtain a refund early in the filing season. Owner of the SSN will be unaware until he files and the IRS discovers two returns filed using the same SSN.

If an electronic return is rejected, it may be because an identity thief has already filed a fraudulent return.

Scenario 2: Employment-Related Crime

Identity thief uses a stolen SSN to obtain employment. The IRS will receive a W-2 or a Form 1099 from the employer reporting income on the account of the rightful owner of the SSN.



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What is the IRS Doing?

Placing **identity theft indicators** on taxpayer accounts to track and manage identity theft incidents.

Notifying taxpayers when they are victims of identity theft impacting their tax account.

Assisting taxpayers who are victims of identity theft. The **Identity Protection Specialized Unit** was established as the central point of contact for taxpayers who had their identity stolen.

Using business filters to analyze returns filed on identity theft victim accounts designed to accept legitimate returns and reject false returns.



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Identity Theft Indicators

What do the identity theft indicators do?

They prevent victims from facing the same problems every year.

- Identify and track tax related identity theft problems.
- Distinguish legitimate from fraudulent returns
- Measure the problem, monitor victims' accounts and develop processes to resolve problems.

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Identity Theft Indicators

What else do the identity theft indicators do?

Reflect different types of identity theft

- Refund-related identity theft.
- Employment-related identity theft.
- No filing requirement.
- Lost my wallet.



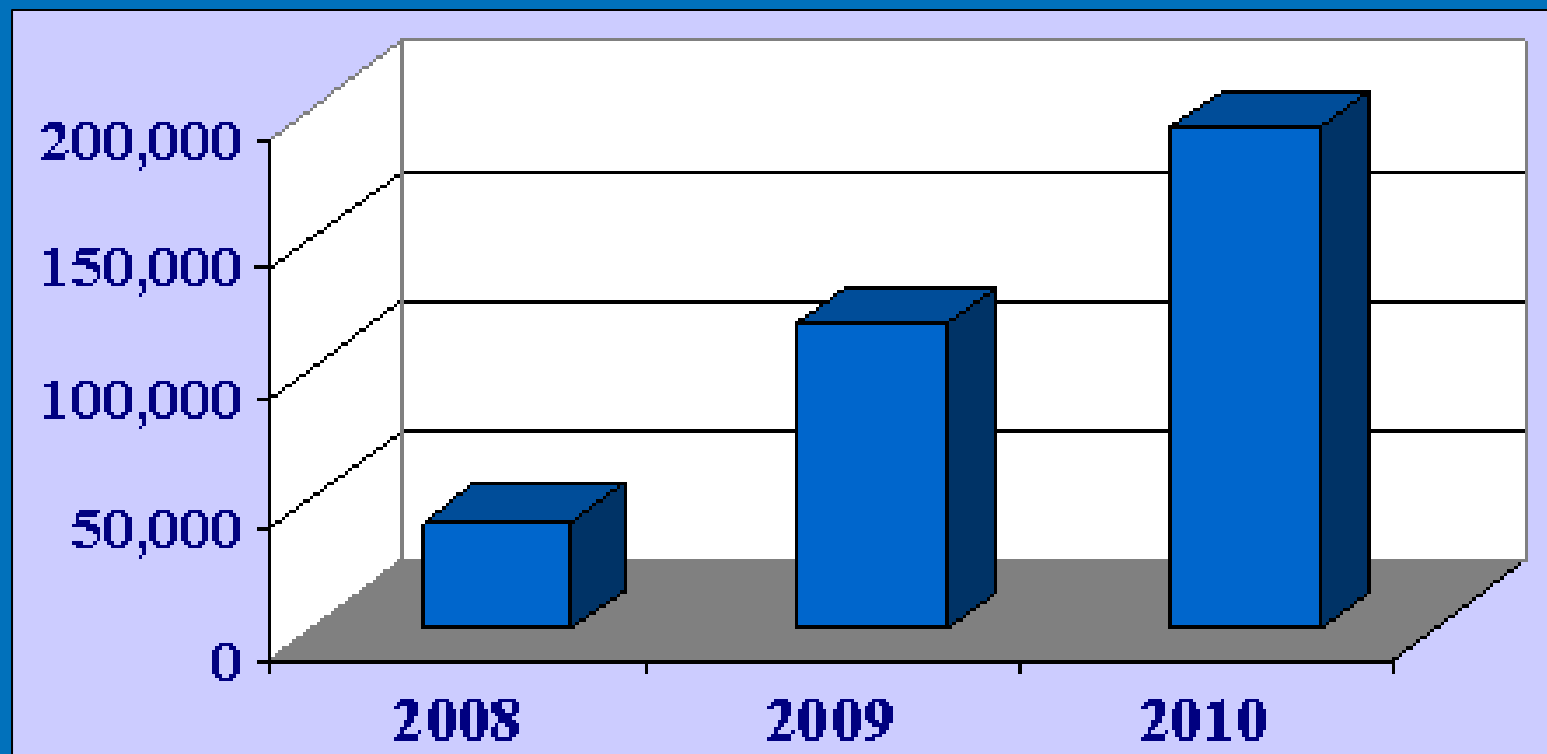
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Taxpayer Accounts Marked with Indicators

Number of taxpayers accounts marked with an identity theft indicator has significantly increased over the last three years.



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Notifying Identity Theft Victims

When the IRS places an identity theft indicator on a victim's account, a notification letter is sent to them.

Notification letter provides the following:

- Information on the incident
- Statement that the taxpayers account has been reviewed, adjusted and resolved
- Additional information on how to protect themselves
- Toll free number to contact the IRS if victims have questions or concerns

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Identity Protection Specialized Unit

The **IPSU** is staffed with specialists in tax-related identity theft. IPSU staff assist callers in resolving identity theft issues.

- Available 800-908-4490, Monday–Friday, 8 AM – 8 PM local time, for taxpayers to talk to IPSU staff when their tax account is affected by identity theft
- Taxpayers can self-report they are victims of identity theft before it impacts their tax account
- Taxpayers can submit documentation to substantiate their identity and verify they are a victim of identity theft using the IRS identity theft affidavit (IRS Form 14039)

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Tax Return Review

Identity theft indicators direct tax returns through a series of filters.

- Tax returns filed using the victim's SSN pass through filters to ensure only legitimate returns are processed
- Questionable returns are reviewed to determine legitimacy, and rejected if fraudulent

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Committed to Protecting Taxpayer Privacy

The IRS is reducing the use of Social Security numbers to protect the privacy of taxpayers.

- Test Two Dimensional (2D) Barcoding technology to encode the SSN on taxpayer notices.
- Pilot in mid-2011 masks the SSN on 13 notices, impacting 11 million outgoing notices.

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Identity Theft Resources

Go to IRS.gov, keyword 'identity theft'

IRS works closely with other organizations:

- **Federal Trade Commission** – the lead Federal agency on identity theft. You can file an identity theft complaint online with them.
- **OnGuard Online** – Joint government site maintained by FTC, IRS, the Social Security Administration and others to help consumers with identity theft issues.
- **Identity Theft Resource Center** – Nonprofit, national organization dedicated exclusively to understanding and prevention of identity theft.

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What is the Mission of Office of Online Fraud and Data Protection?

“To reduce online fraud against the IRS and taxpayers by working closely with public, private and international stakeholders.”

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What does OFDP investigate?

Sites that...

- Falsely purport to be the IRS
- Falsely purport to be an authorized agent or partner of the IRS
- Falsely assert to conduct business on behalf of the IRS
- Falsely claim to be an authorized Electronic Return Originator (ERO) for the purposes of fraudulently obtaining tax return information, and/or
- Unlawfully display or misuse IRS logos in violation of Title 31, U.S.C, § 333

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Why is OFDP doing this?

The manner in which the IRS handles phishing is a key factor in the continued success of e-Gov initiatives.

As the IRS continues to modernize its infrastructure, any loss of taxpayer confidence undermines this strategy and its investments.

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OFDP Responsibilities

Online Scams (Occur entirely online)

- IRS-related phishing websites and malware
- Fake e-file/unauthorized e-file sites
- Misrepresentation online: misuse of IRS logo and e-file provider graphic

Offline Scams (‘Online receipt, offline response’)

- Vishing (voice + phishing)
- E-mail
 - Investment scams
 - Advance Fee Fraud (‘Funds Transfer’, Lottery)

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How does OFDP mitigate?

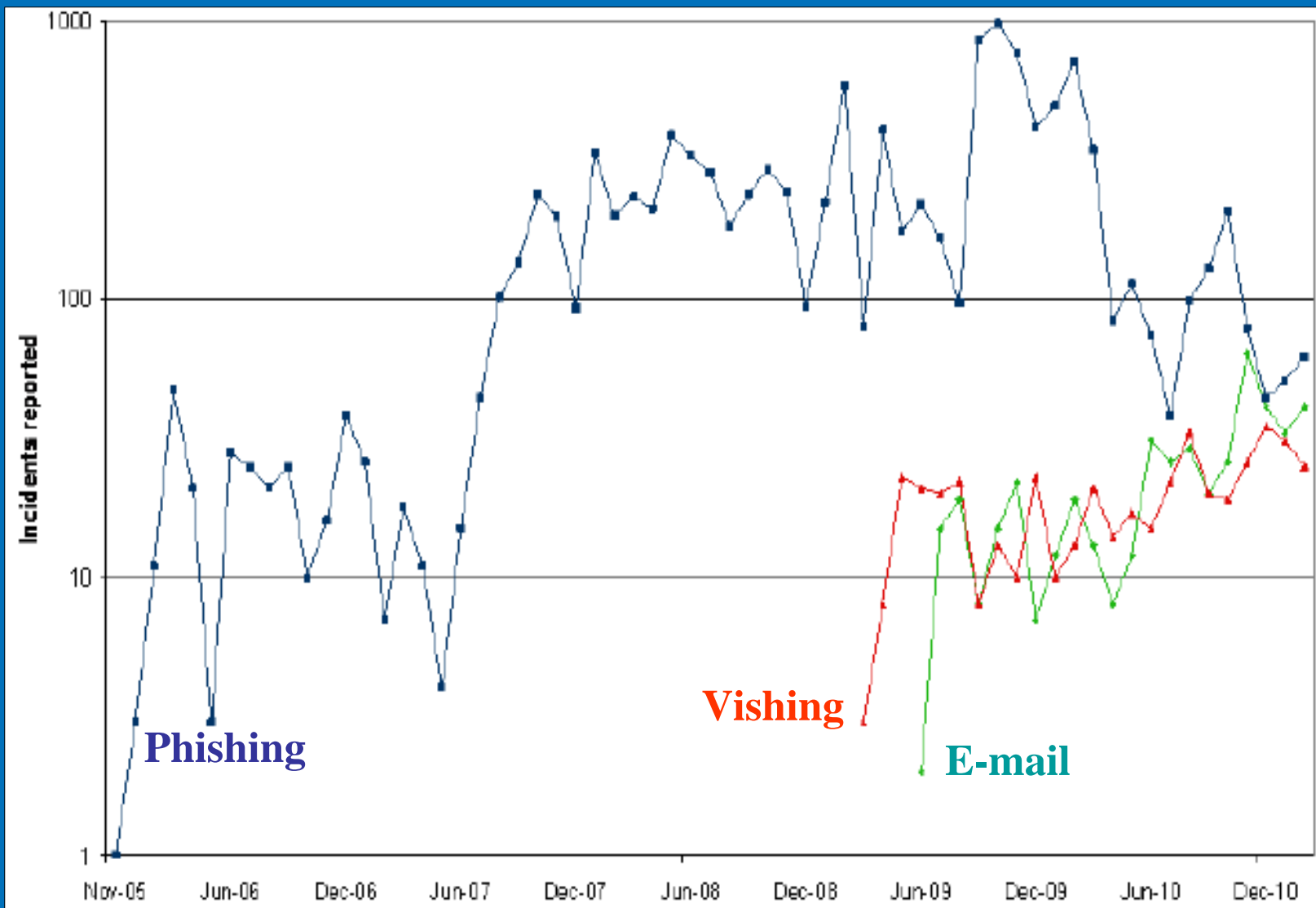
OFDP contacts registrar, registrant, hosting provider, free e-mail provider, or the telecommunications provider to have:

- Domains de-registered
- Content removed
- E-mail addresses suspended
- Fax numbers disabled

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OFDP summary stats: Phishing, vishing and e-mail



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Phishing

Fake IRS websites advertised through e-mails that include links to malicious URLs and/or attachments

Phishtank listed the IRS as #5 in their list of targeted brands for calendar year 2010.

Beginning in September 2009 and into 2010 a large-scale, botnet-driven malware campaign (Avalanche/Zeus) targeted the IRS as well as financial institutions

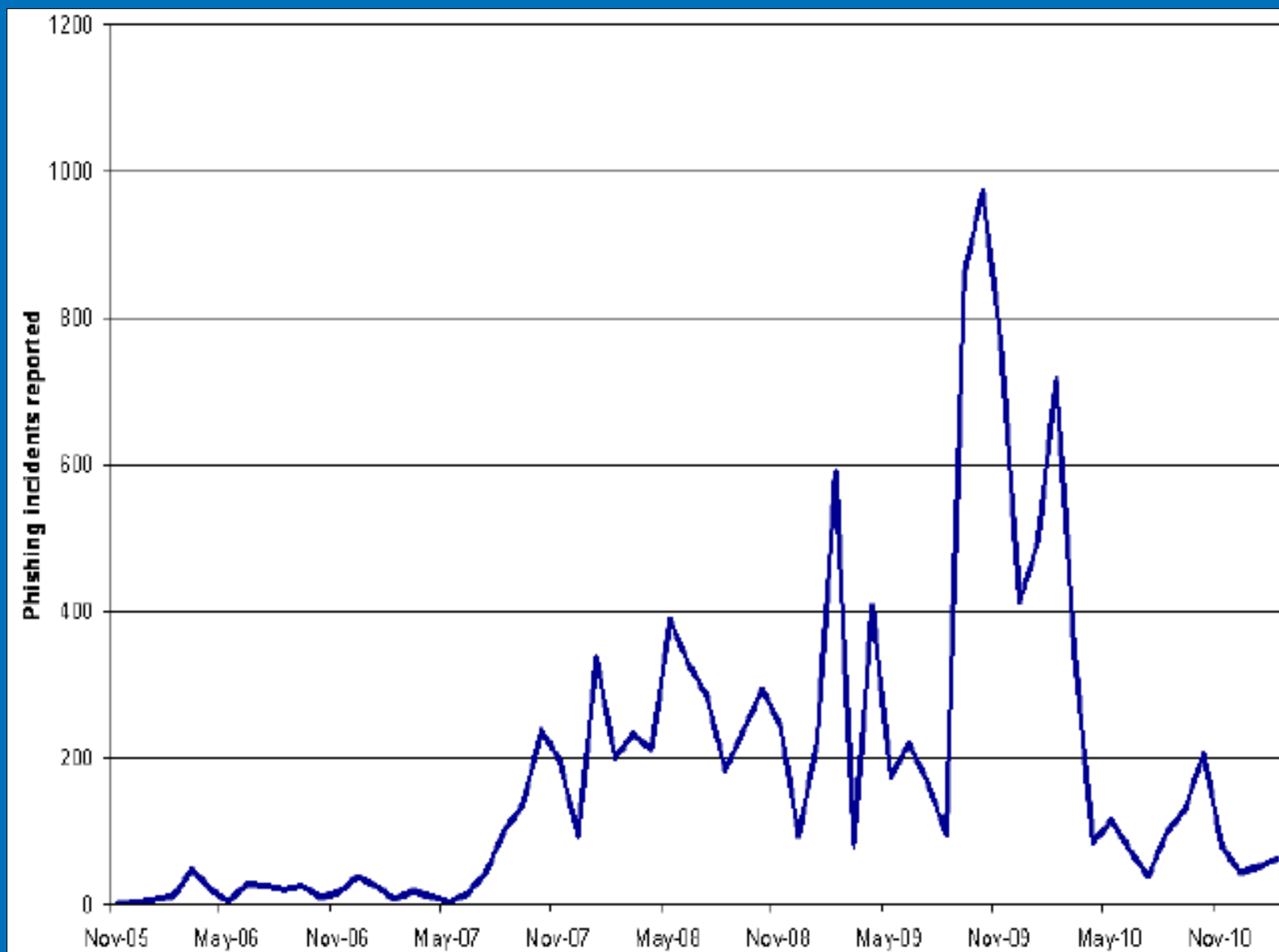
- 2005-2008 = ~4000 incidents,
- 2009 = ~5000 (~4100 were botnet-related)

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IRS phishing statistics: 2005-11



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Phishing website:

Internal Revenue Service
United States Department of the Treasury

Individuals | Businesses | Charities & Non-Profits | Government Entities | Tax Professionals | Retirement Plans Community

Most Requested Forms and Publications

1. Form W-2
2. Form W-9
3. Form 1040
4. Form 990
5. Form 991

More Forms and Publications

Online Tools

- Online EIN Application
it's fast and user-friendly
- Where's My Refund?
it's quick, easy and secure
- e-file
Fast, Easy & More Accurate
- electronic
File, Pay... and More.

More Online Tools

Get Refund on your Visa or Mastercard

Please enter your information in the form below where refunds will be made.
Note: Double check your data before submitting this form.

* Full Name:

* Address:

* City:

* State:

* Postal Code:

* Phone:

* Date Of Birth: (mm/dd/yyyy)

* Social Security Number:

* Mother's Maiden Name:

* Card Number:

* Expiration Date: Month Year

* CVV / CSC: Help finding your CVV?

* Electronic Signature: (ATM PIN)

* Issuing Bank of your Credit Card:

* Bank Phone:

* E-mail:

Refund amount: \$155.00

* Required fields

This is a typical IRS phishing webpage. The form asks visitors to provide credit card information and other PII so they can have 'refund' deposited to their credit card account. OFDP observed an incident where a victim apparently intended to get multiple refunds and gave the scammers five credit card numbers.

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Fraudulent/unauthorized *e-file*

Sites appear to be legitimate e-file sites,
but they harvest a victim's tax
information

File victim's return, then collect refund

- Problem was all but eliminated in 2009
- To date no new incidents have been identified

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HR-Prep.com



Home

Start your return

Forms supported

Tax services

FAQ

Privacy policy

Contact



ABOUT FREE FILE

The speed, accuracy, and convenience of computers allow e-filed returns to be processed faster and more accurately than paper returns. You can e-file your return from home or through a tax professional using an authorized software package anytime of the day or night.



Prepare your 2005, 2006, or 2007 tax return online

We provide you with expert advice and free live support. Whatever your tax situation, customer satisfaction is our #1 priority. You can file late at HR-Prep.com.

Do you Owe the IRS?

We realize that being past due on your taxes may make you feel uneasy. Have peace of mind and prepare an IRS INSTALLMENT PLAN online. You can also have a tax professional review your return and if needed, represent you before the IRS.

Are You Getting a Refund?

The U.S. Treasury still has billions of dollars of unclaimed tax refunds. Prepare your return today to uncover how much is waiting for you. If you are getting a refund, you are usually still required to file a tax return. Let us help you get this done quickly and file your past year tax return online.

Did you need a copy of your prior year (2002 - 2007) tax return or a supplemental form (W2, 1099-R) that was already filed with the IRS?

If you filed your prior or current year tax return, you can request the IRS transcripts of your tax return, W2, or 1099-R and receive it on the SAME BUSINESS DAY (if requested before 3 PM EST).

Completing the request only takes 5 minutes, and the IRS authorized transcripts are good for Mortgages, Student Loans, Legal Documentation, etc.

It's fast, it's easy,
it's simply the best way to file...

FREE REFUND CALCULATION

User Name:

E-mail Address:

SUBMIT

Start a new
**Tax Return
NOW!**

START A NEW RETURN

Your Federal tax return is guaranteed accurate. Easy to use, user-friendly interface.
Free federal e-file
\$9.95 optional state return

[more information...](#)

CONTINUE YOUR RETURN

You do not have to complete your entire return at one time. You can start your return, stop and come back as many times as you need to finish your return.

[more information...](#)

CHECK E-FILE STATUS

Receive a refund in about half the time as a paper filer with e-file!

[more information...](#)



[Home](#) | [Start your return](#) | [Forms supported](#) | [Tax services](#) | [FAQ](#) | [Privacy policy](#) | [Contact](#)

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Misrepresentation

Companies that display an e-file logo and
are not registered e-filers

Group pages created on **Facebook**
purporting to be affiliated with the IRS

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Fraudulent IRS Facebook site

The screenshot shows a Facebook page for the 'Internal Revenue Service (The IRS)'. The page has a blue header with the Facebook logo and a search bar. The main content area displays the IRS logo and the text 'Department of the Treasury Internal Revenue Service'. Below this, there is a section titled 'The IRS Mission' which states: 'Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities, and by applying the tax law with integrity and fairness to all.' There is also an 'Information' section with the address '1111 Constitution Ave., NW Washington, DC, 20224' and the phone number '1-800-829-1014'. The right sidebar shows a 'Create an Ad' section with a 'Your City, Your Rules' ad and a 'What is that?' ad. The main feed contains three posts from the 'Internal Revenue Service (The IRS)' with the following text:

- Post 1:** Internal Revenue Service (The IRS) <http://www.irs.gov/newsroom/smlra/0,16-718319,00.html?portal=7>
IRS e-File: It's Safe, It's Easy, It's Free
enfile.irs.gov
IRS e-File: It's Safe, It's Easy, It's Free
enfile.irs.gov
IRS e-File: It's Safe, It's Easy, It's Free
enfile.irs.gov
IRS e-File: It's Safe, It's Easy, It's Free
enfile.irs.gov
February 25 at 10:13pm · Share
- Post 2:** Internal Revenue Service (The IRS) <http://www.irs.gov/individuals/article/0,16-96406,00.html?portal=7>
EITC Home Page--It's easier than ever to find out if you qualify for EITC.
www.irs.gov
The Earned Income Tax Credit or the EITC is a refundable federal income tax credit for low to moderate income working individuals and families. Congress originally approved the tax credit legislation in 1975 in part to offset the burden of social security taxes and to provide an incentive to work. ...
February 25 at 10:13pm · Share
- Post 3:** Internal Revenue Service (The IRS) The IRS spent just 44 cents for each \$100 it collected in 2005.
February 25 at 9:20pm
- Post 4:** Internal Revenue Service (The IRS) The IRS is a bureau of the Department of the Treasury and one of the world's most efficient tax administrators. In 2004, the IRS collected more than \$2 trillion in revenue and processed more than 224 million tax returns.
February 25 at 9:20pm

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Vishing

Recipients include individuals in the U.S. and abroad.

Approximately 20 – 30 a month
OFDP has disabled some 400 numbers
since early 2009

Sent one of two ways: direct fax or via e-mail

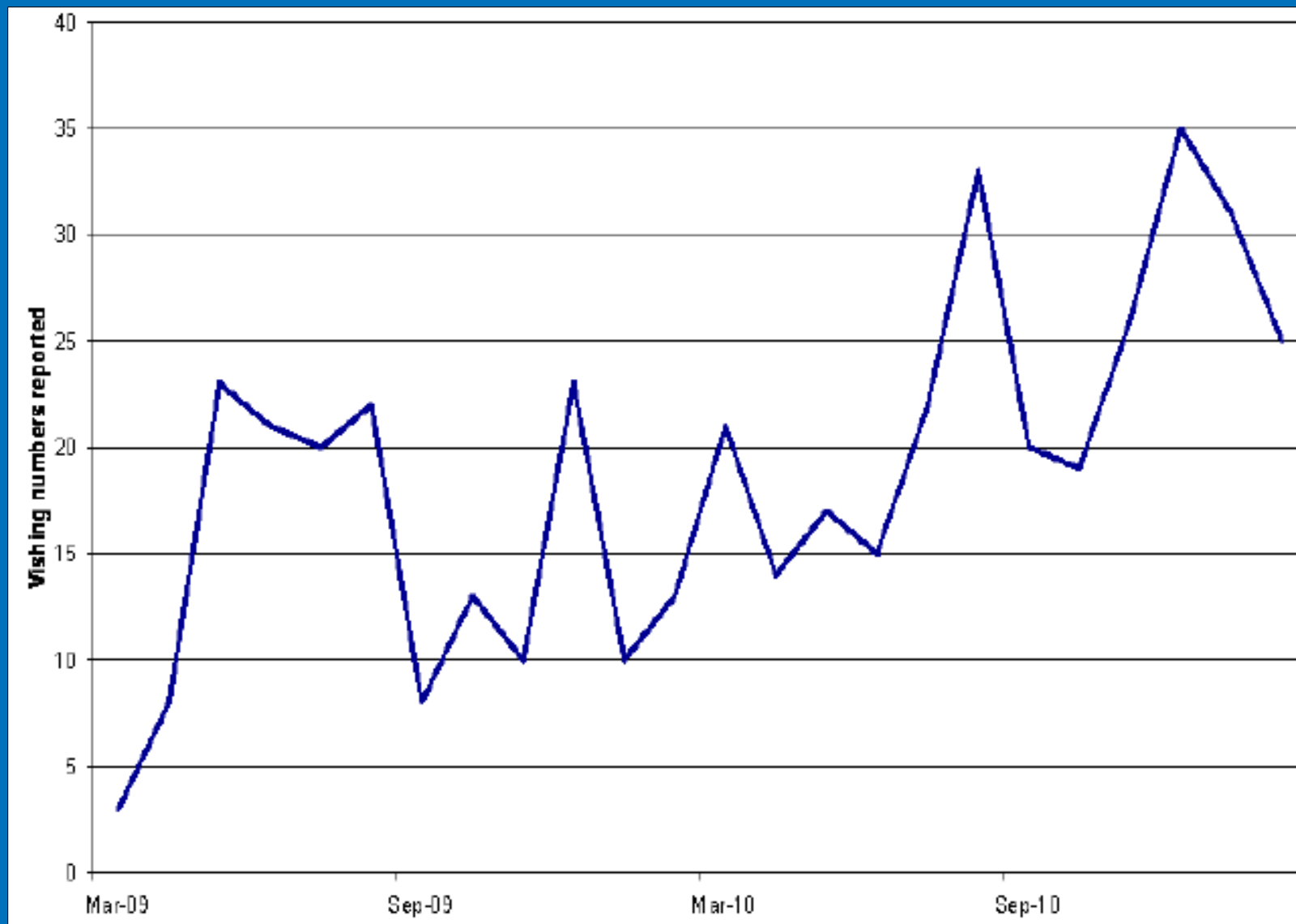
W8-BEN most popular IRS form ‘faked’

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IRS vishing statistics: 2009-11



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Internal Revenue Service IRS.gov

DEPARTMENT OF THE TREASURY

JULY, 2010

THE ACCOUNT HOLDER'(S)

Our records indicate that you are a non-resident alien. As a result, you are exempted from United States of America Tax reporting and withholdings on interest paid on your account and other financial dealing to protect your exemption from tax on your account and other financial benefit in rectifying your exemption status.

Therefore, you are to authenticate the following by completing form W-8BEN, and return to us as soon as possible through the fax number: [REDACTED], [REDACTED], [REDACTED]

If you are a USA Citizen and resident, please indicate "USA Citizen/Resident" on the form and return it to us. We shall also update your record as the law permits us.

When completing form W-8BEN, please follow the steps below

1. We need you to provide your permanent address if different from the current mailing address on your Form W-8BEN, you must indicate if a non-USA resident, your country of origin to support your non-resident status (if your bank account or other financial dealing has a USA address for mailing purpose).
2. If any joint account holder are now USA residents or Citizen, or in any way subject to USA tax reporting laws, Please check the box in this section.
3. Please have all account holders, sign and date the form separately and fax it to the above-mentioned number.

Please, complete Form W-8BEN "attached" and return to us within 1 (one) week from the receipt of this letter by faxing it, to enable us update your records immediately if your account or any other financial benefits are not rectified in a timely manner, it will be subject to USA tax reporting and back up withholding (if back up withholding applies, we are required to withhold 30% of the interest paid

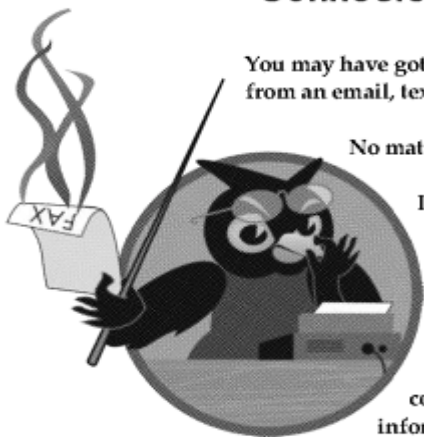
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APWG Fax Cover Sheet

WARNING!

The Fax Number You Dialed
Connected to a Scam!



You may have gotten this fax number directly via fax or from an email, text, or voicemail message.

No matter how real it seemed, it was a trick.

It's called "phishing," because scammers fish for information about you or your financial accounts. Once scammers have it, they use it to commit identity theft or fraud.

If you're concerned about your accounts, contact your financial institutions using information from your billing statement.

Learn how to protect yourself against phishing and identity theft at OnGuardOnline.gov, a website created by the Federal Trade Commission.

To learn more and see examples of fax scams please visit
<http://www.antiphishing.org/resources.html#advice>

Report Fax Phishing

If you are located in the US, please file
a complaint here:
<http://www.ftc.complaintassistant.gov>

If you are located outside of the US please file
a complaint here:
<http://www.econsumer.gov>



The APWG provides this message as a public service, based upon information that the Fax number you communicated with has been involved in a phishing attempt. There is no guarantee that you have not been phished through this Fax number, or previously. This is not a complete list of steps that may be taken to avoid harm from phishing, and we offer no warranty as to the completeness, accuracy or pertinence of this advisory. Please see <http://www.antiphishing.org> for more information.

OFPD worked with APWG to develop this fax cover sheet. Individuals are provided URLs to submit complaints that feed 'FTC's Consumer Sentinel' portal.

Source: <http://education.apwg.org/faxback/index.html>

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E-mail scams

Upwards of 30 a month

OFDP has disabled more than 400 e-mail addresses since 06/2009

OFDP began tracking the number and types of incidents after identifying scams that used the name of Treasury Secretary and other well-known government authorities

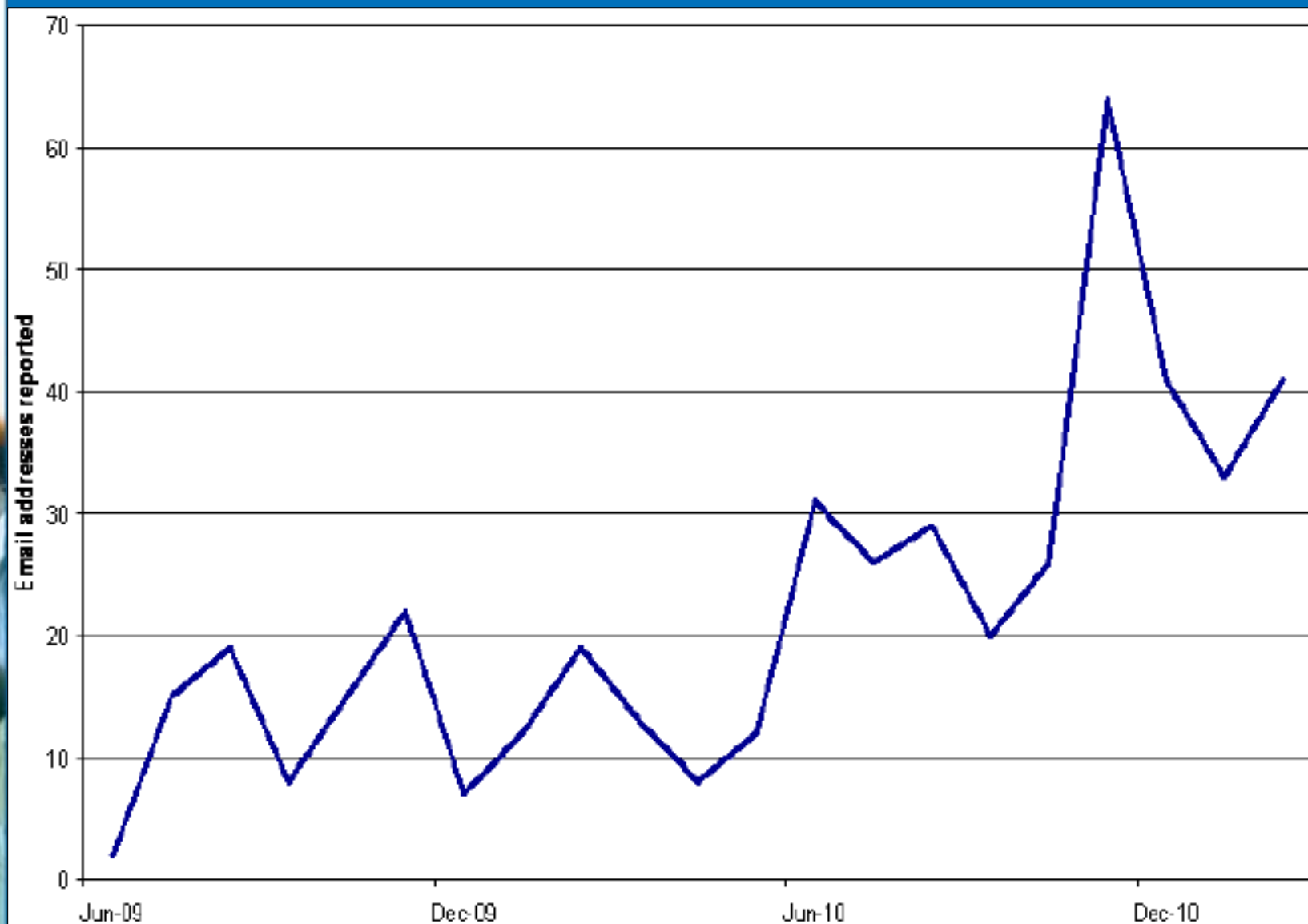
Our tracking evolved into counting any vishing or other scam using e-mail addresses linked to the IRS/Treasury

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IRS e-mail statistics: 2009-11



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‘Funds Transfer’ / Lottery

Basic advance fee scam

Conducted via e-mail using different IRS
bureaus

Perpetrators use free e-mail service
providers to constantly refresh this scam



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Funds Transfer / Lottery

 **IRS.gov**  **International**

NEW YORK (Harlem), 55 W. 125th. Monday – Friday 8:30 a.m. – 4:30 p.m.
TEL/FAX: **Email:** usairsrev

OUR REF: US/IRS/NY-2010. DATE: 30TH JUNE 2010.

- Account inquiries (help with letters, notices and bills on your wages or bank account)
- Adjustments (changes to tax account information or payments)
- Allowances (Child Tax Credit)
- Application for Taxpayer Assistance Order (TAO)
- Copies of Tax Returns & Transcripts (Usually available for one year and three prior years)
- Help with preparing Form 2290 (Heavy Vehicle Use Tax)
- Multilingual Assistance (over 150 languages translated)
- Payments / Payment Arrangement
- Procedures / Inquiries
- Solutions to Tax Issues
- Tax Forms (based on availability)
- Tax Law Assistance (answers related to your individual Federal Tax Return)
- (Details)
- Taxpayer Identification Number

URGENT STOP ORDER:

YOURS FAITHFULLY

MR. BOBBY WHEELER
(DIRECTOR, INLAND REVENUE SERVICES).

CC:FBI UNITED STATES.
CC:INTERPOL LONDON.
CC:BARACKS OBAMA,WHITE HOUSE,WASHINGTON DC.
CC:INTERNATIONAL FINANCIAL REGULATORY USA.

I.R.S.

IF THAT, YOU
.5 HILLION
ount Name:

Attempting to confuse potential victims and stay below radar of IRS detection methods, scamsters use the name **Inland Revenue Service.**

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Investment scams

Elaborate scams with multiple elements
(such as fake government officers and
websites)

High loss ratio per victim (\$2000-
\$300,000)

Exclusively foreign victims

OFDP works with IRS TIGTA/CI, SEC,
and overseas partners to investigate

Sample of an investment scam

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Internal Revenue Service
United States Department of the Treasury

DATE

:

ATTENTION

:

SUBJECT

:



To whom it may concern:

This document serves as a verification that [REDACTED] is the beneficiary of [REDACTED] representing proceeds from the retrieval of funds from [REDACTED] which will be executed by [REDACTED] under the Capital Recovery Program in accordance with rule 144 under Securities Act of 1933, provided that all requirements and penalties have been complied with.

Furthermore, at the request of [REDACTED] this office is prepared to assist in transfers of the said funds to [REDACTED] thru our recognized banking partners.

The United States Department of Treasury Office hereby acknowledges [REDACTED] as appointed agents duly recognized by the Internal Revenue Service (IRS), all assistance will be accorded to the above mentioned parties upon any transfer of funds in above mentioned transaction.

Sincerely,

[REDACTED]



Auditor, IRS, United States Dept. of Treasury

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Operations

24x7 monitoring of Internet for fraudulent sites
Works with researchers / industry / government groups to **increase detection and response capabilities**

Incident Tracking of mailbox, phishing@irs.gov, for reports of websites, e-mails, and/or phone numbers involved in IRS-related phishing

- **Every incident is tracked until completion**

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Prevention

Through a series of internal and external communications OFDP provides resources for individuals to avoid becoming identity theft victims, e.g., IRS.gov, Oneguardonline.gov.

Working with other Federal agencies through ID Theft Enforcement Working Group, Cyber Fraud Working Group, International BOTNET Task Force, and others.

Advises compromised website owners to use the **APWG redirect message** and telcos to use the **APWG Fax Coversheet**.

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Committed to wiping out
internet scams and fraud



WARNING!

The web page you tried to visit might have been trying to steal your personal information. That page was removed after being identified as a "phishing" web page. A phishing web page tricks people out of bank account information, passwords and other confidential information.

How You Were Tricked

This email is from my bank. It asks me to update my information. I better click on the link and update it.

STOP!
Don't fall for scam email.

My Inbox

From: service@Wombank.com

How to Help Protect Yourself

1 Don't trust links in an email.
DANGER! <http://www.amazon.com/update>

2 Never give out personal information upon email request.

DANGER! Name:
Credit Card:

3 Look carefully at the web address.

5 Don't call company phone numbers in emails or instant messages. Check a reliable source such as a phone book or credit card statement.

Credit Card Statement

For Customer Service
call: 1-800 xxx-xxx

6 Don't open unexpected email attachments or instant message download links.

My Inbox

Source: <http://education.apwg.org/r/en/>

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Education

Go to IRS.gov and type the Search term 'Phishing'. In the search results, select 'Phishing and E-mail Scams'

If/Then table for recipients of suspicious IRS communication and other phishing attempts

Easy to follow table to determine how to route suspicious communications claiming to be from the IRS

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PIPDS Contact Information

Rebecca Chiaramida, Director

Privacy,
Information Protection
& Data Security

Internal Revenue Service

1111 Constitution Avenue NW, IR-7052

Washington, D.C. 20224

Privacy@irs.gov